

RANGER OIL (Canada) Limited

Fell

ANNUAL REPORT 1966



RANGER OIL (CANADA) LIMITED
and subsidiary companies

Highlights of 1966
Reviewed and Compared with Previous Years

FINANCIAL	1961	1962	1963	1964	1965	1966
Total income from all sources	491,302	698,282	676,970	778,163	761,666	1,003,103
Net income from oil and gas sales after royalty and lifting costs	398,602	552,969	531,780	584,780	551,893	492,763
Cash operating income	229,409	321,840	390,626	481,546	358,737	282,937
Interest and Discount on long term debt	8,771	15,251	1,691	4,007	72,439	108,090
Net Income (loss)	53,464	108,285	(9,416)	342,432	222,829	334,734
Shares outstanding	1,587,399	1,587,399	1,587,399	1,587,399	1,607,399	1,979,704
 OPERATING						
Oil Production — Ranger's share of gross barrels	184,698	227,638	170,318	166,954	185,750	216,445
Gas Production — Ranger's share of gross MCF	965,881	1,584,883	2,908,928	3,404,991	2,877,545	1,709,375

*The front cover, with its stars showing
Ranger's properties, symbolizes our greatly
increased exploration and acquisition
policies.*

SENIOR PERSONNEL:

A. G. HALL, B.COMM., P.ENG.
D. G. FLANAGAN
A. B. WIIGS
D. G. PENNER, B.Sc., P.GEOL.

*Executive Assistant
Assistant Secretary
Production Superintendent
Consulting Geologist*

Officers and Directors

J. M. PIERCE, B.Sc., P.ENG. — *President and Director, Calgary, Alberta*
E. O. PARRY — *Vice-President, Secretary-Treasurer and Director, Calgary, Alberta*
F. R. MATTHEWS, Q.C. — *Director, Calgary, Alberta*
E. M. BRONFMAN — *Director, Montreal, Quebec*
W. B. MILNER — *Director, Vancouver, B.C.*

Registrar and Transfer Agent

GUARANTY TRUST COMPANY OF CANADA
311 - 8th Avenue S.W., Calgary, Alberta
88 University Avenue, Toronto, Ontario
427 St. James Street West, Montreal, Quebec
624 Howe Street, Vancouver, B.C.

Solicitors

MACKIMMIE, MATTHEWS, WOOD, PHILLIPS & SMITH
505 - 2nd Street S.W., Calgary, Alberta
KEITH, GANONG, MAHONEY & KEITH
25 Adelaide Street West, Toronto, Ontario
BARRETT & BARRETT
Lusk, Wyoming
COLLINS, HUGHES, MARTIN, PRINGLE & SCHELL
1400 Wichita Plaza Building, 145 North Market Street, Wichita 2, Kansas
NORTON, ROSE, BOTTERELL & ROCHE
Kempson House, Camomile Street, Bishopsgate, London, E.C. 3, England

Auditors

RIDDELL, STEAD, GRAHAM & HUTCHISON
407 - 8th Avenue S.W., Calgary, Alberta

Bankers

THE ROYAL BANK OF CANADA
Main Branch, Calgary, Alberta
THE FOURTH NATIONAL BANK
AND TRUST COMPANY, WICHITA
Wichita, Kansas

Principal Business Office

Second Floor, 300 - 5th Avenue S.W., Calgary, Alberta

Registered Office

25 Adelaide Street West, Toronto, Ontario

President's Report to the Shareholders

FINANCIAL

Ranger's income from all sources reached one million dollars for the first time.

Net income for the year was \$334,734, up from \$222,829 in 1965, an increase of 50%.

The rights issue which expired June 10, 1966 was very well received, over 90% of rights being exercised. The company received \$724,610 from the rights issue.

Depreciation, drilling and exploration expenditures claimed in 1966 for tax purposes, exceeded the corresponding amounts provided in the company's accounts, and as a result no income tax was payable.

1966 HIGHLIGHTS

Since the 1965 Annual Report the company has participated in a very active exploration and land acquisition program in the Rainbow-Zama area, resulting to date in a significant discovery at Rainbow with a large interest. The Mitsue development program has been successfully continued.

Ranger now has substantial proven reserves of oil and gas to insure an increasing and long term source of income. This will enable the company to expand its exploration program and continue development of existing properties.

EXPLORATION POLICY

Ranger has an increasingly aggressive exploration and land acquisition policy concentrating on maintaining a substantial interest in large blocks so that a discovery will be of major importance to the company.

Ranger owns 486,984 acres in currently active offshore areas of Canada's east and west coasts.

THE CARTER COMMISSION REPORT ON TAXATION

The Commission appears to base one of its most important recommendations, in regard to the oil industry, on a false premise.

The report recommends elimination of depletion allowances because there is an abundance of tar sands oil available, and therefore no incentive is needed for conventional oil finding. The most basic error in this premise is the fact that tar sands oil costs approximately \$3.00 per barrel to produce as compared to an average cost of Alberta crude of under \$1.00 per barrel.

In addition Carter would eliminate the three year tax exemption on mines further increasing the cost of tar sands oil, which makes this discrepancy even larger.

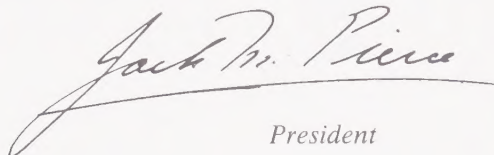
Many other benefits to Canada from drilling for conventional crude such as discoveries of natural gas, potash, sulphur and helium appear to have been ignored by the Commission.

CRUDE OIL MARKETING

There is a possibility that the backers of the Capline pipeline project from the U.S. Gulf Coast to the Chicago-Detroit-Toledo area may cause a delay in Canadian penetration of this market. Should this occur, Canada will have no recourse but to move Western Canadian crude to Montreal. This will at least give the Canadian producers an interim increment of some 400,000 barrels per day. It is unlikely that the U.S. would retaliate by reducing any present Canadian imports because these are all needed in the areas they are presently serving.

SUBMITTED ON BEHALF OF THE BOARD OF DIRECTORS:

May 26th, 1967.


President

RANGER OIL (CANADA) LIMITED and subsidiary companies

Synopsis

Gross Acres	1,410,759
Net Acres	1,044,398
Gross Producing Oil Wells	70
Gross Gas Wells	34
Incorporated Province of Ontario	August 21, 1950
Capitalization	3,000,000 N.P.V. shares
Issued, as at December 31, 1966	1,979,704 shares
In Treasury, as at December 31, 1966	1,020,296 shares
Listed	Canadian (Montreal) Stock Exchange Toronto Stock Exchange Calgary Stock Exchange Vancouver Stock Exchange

PROVEN DEVELOPED RESERVES After Royalty:

Oil	8,600,000 Barrels
Gas	75.481 Billion Cubic Feet

(Note: On May 13, 1954, Company name changed from Maygill Petroleum Company Limited to West Maygill Gas and Oil Limited. All outstanding shares were exchanged—ten shares of Maygill Petroleum Company Limited for one share of West Maygill Gas and Oil Limited.

Company name changed October 5, 1958 from West Maygill Gas and Oil Limited to Ranger Oil (Canada) Limited.)

CANADA

Oil Properties

RAINBOW

Ranger has been very active in exploration work and land acquisition in the Rainbow-Zama Lake area of northwestern Alberta and northeast British Columbia. In late 1966, Ranger and partners made a Rainbow Reef discovery at Wainoco Ranger Rain S 5-36-107-10-W6M. Ranger interest in the discovery is 50%. We have kept all information on this discovery confidential as allowed by Alberta Government Regulations, however, at a recent Conservation Board hearing, Imperial Oil stated that the reserves in this pool are some 20 million barrels.

As shown on the Rainbow map, Ranger has extensive interests in the Rainbow-Zama area. Furthermore, we are carrying on extensive seismic exploration and are continuously bidding with groups on new lands at the Alberta Government's Crown Land Sales.

The Rainbow-Zama area has been so extensively covered as a geologic and oil prospecting region by the world press that there is no need to further elaborate here.

SLAVE LAKE - MITSUE

Ranger has an average of approximately 25% in 23 wells completed in the Mitsue field near the Town of Slave Lake, Alberta on the shores of Lesser Slave Lake. The Mitsue field is now being unitized in order to facilitate initiation of a secondary recovery water flood program. This project will triple the recoverable oil reserves from this field for a nominal investment. As soon as this flood takes effect, Alberta's new allowable Regulations, which are primarily based on reserves, provide for a sharply increased allowable from this field to where Mitsue will become a very major item in Ranger's income during the ensuing years.

The development of the Mitsue and Nipisi fields has been somewhat overshadowed by Rainbow and Zama. Mitsue and Nipisi are major fields and produce a very high quality crude with very low lifting costs due to the nature of the reservoir and development.

OTHER ALBERTA AREAS

We are this year eliminating the detailed maps and reports of other areas of Alberta production which we have carried for several years. Ranger has substantial production and reserves in the following other Alberta fields:

Joffre D2
Joffre Viking Sand Units
Namao Unit
Namao "Maygill" Pool
Pembina Unit
and numerous other areas

CYNTHIA - PEMBINA AREA

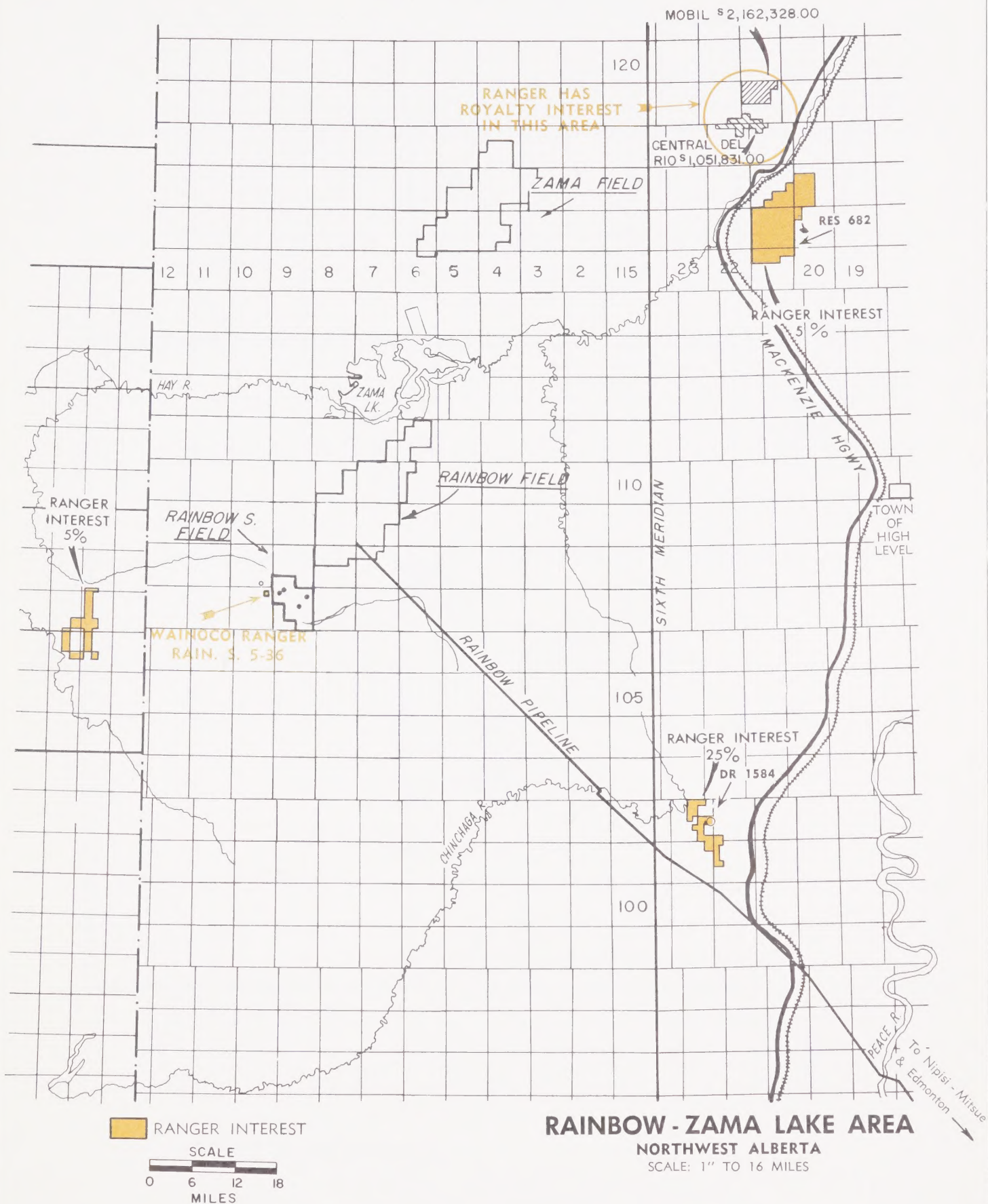
We are about to drill a well on this land and are therefore carrying a map. The new location will be Lsd. 4 of Section 28 in Township 51, Range 11, W5M.

SASKATCHEWAN

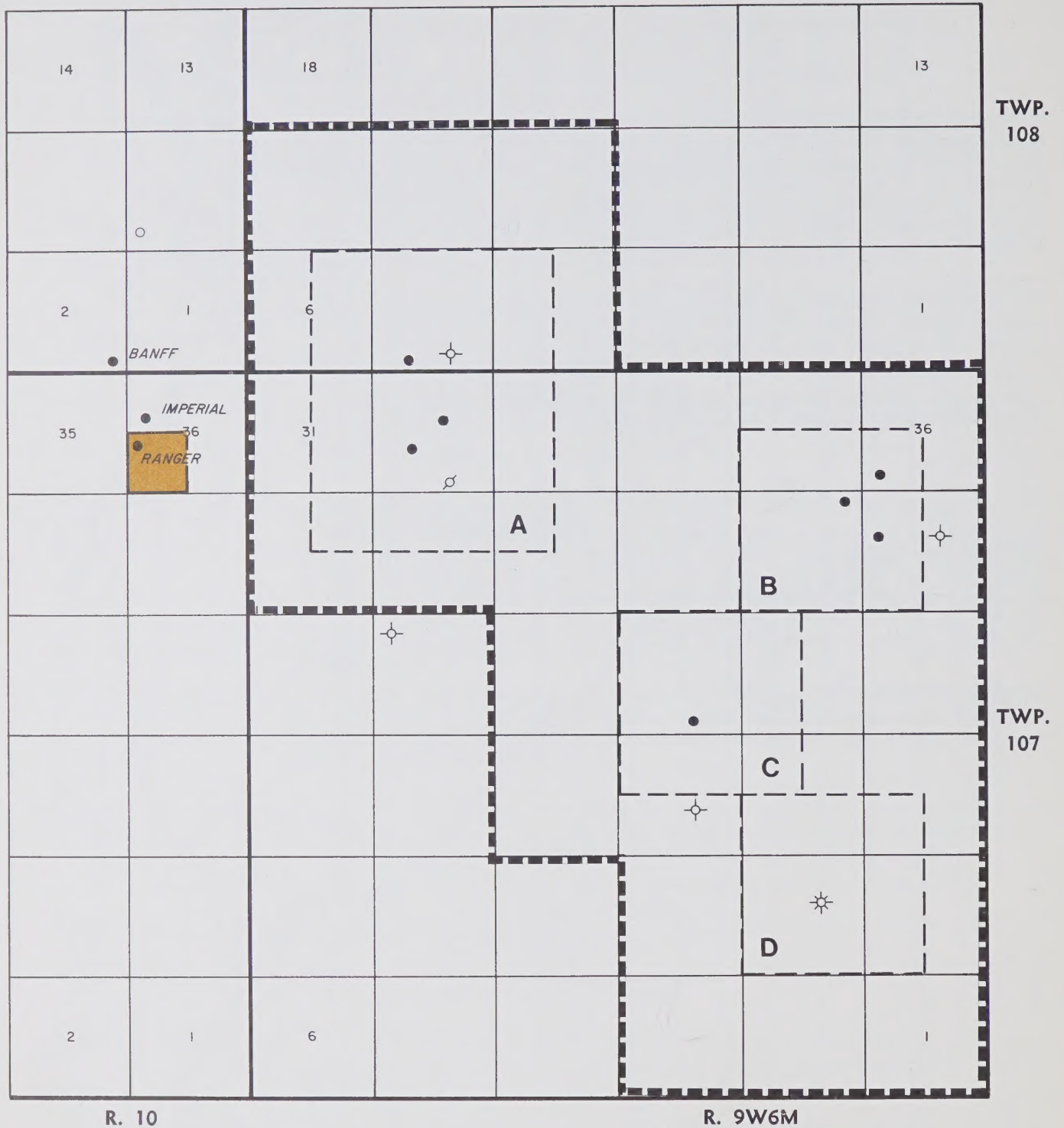
Ranger has production in eight oil fields in Saskatchewan. Included are participants in the Weyburn, West Carnduff, East Carnduff and Midale Units.

WINNIPEGOSIS REEF

Ranger in partnership with Pembina Pipe Line Limited owns Permits 1574 and 1599 totalling 111,727 acres, just south of Prince Albert, Saskatchewan. Ranger's 50% net interest is 55,863 net acres. There have been two Winnipegosis discoveries in eastern Montana in the past 30 days. This is the equivalent producing horizon to the Keg River of the Rainbow and Zama areas of northwestern Alberta. At the February 14, 1967 Saskatchewan Crown Sale Chevron Standard purchased the offsetting Reservation west of the Ranger-Pembina holdings. We consider this large block very well located geologically in the Winnipegosis play.



RAINBOW SOUTH FIELD

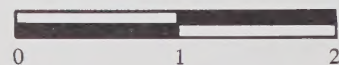


R. 10

R. 9W6M

- Oil
- ☀ Gas
- ⊕ Abd.
- ⊕ Suspended
- - - Pool Out
- - - - Field Limit

Scale:



 RANGER ACREAGE

R. 6.

R. 5

R. 4

R. 3, W. 5 M.

TWP.
74TWP.
73TWP.
72TWP.
71TWP.
70TWP.
69

LESSER SLAVE LAKE

SLAVE LAKE

Lesser Slave R.

Mitsue Lake

MITSUE FIELD
LIMIT

MITSUE

MITSUE PIPELINE
EDMONTON
100 MILES

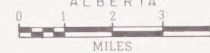
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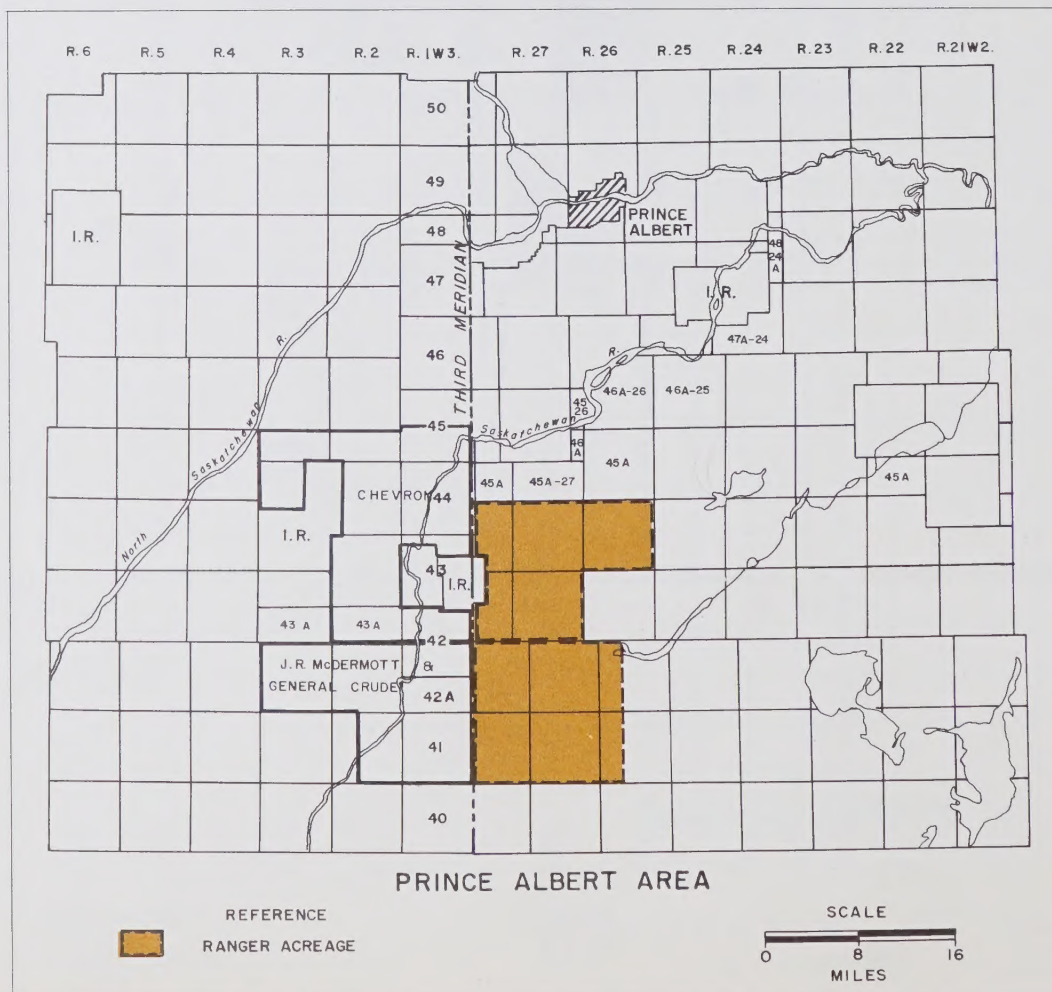
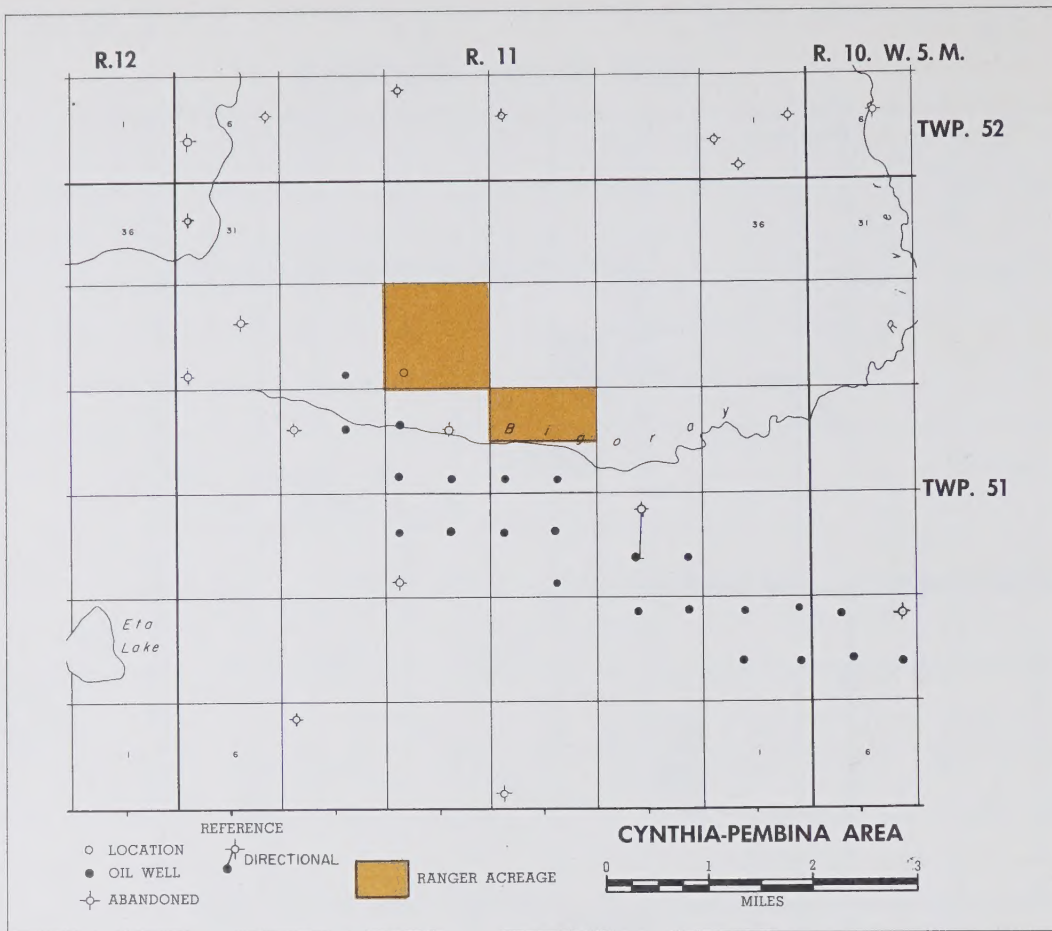
- LOCATION
- OIL WELL
- ⊕ SUSPENDED
- ⊕ ABANDONED

RANGER ACREAGE

MITSUE AREA

ALBERTA





NORTHWEST TERRITORIES AND YUKON TERRITORIES

Ranger has interests in 647,416 acres of Permit land in the Northwest Territories and Yukon Territories from Fort Simpson on the south almost to Inuvik.

The Fort Simpson permits 4195, 4484 and 4485, comprising 183,816 acres, have been farmed out to Hudson's Bay Oil & Gas Company Limited with Ranger retaining a 2½ % gross overriding royalty interest.

BRITISH COLUMBIA

Ranger has interests in northeast British Columbia from the Peejay field on the south to the Alberta border just west of Rainbow where we have a 5% working interest in Drilling Reservation 139 being 13,467 acres.

The company's first well in British Columbia was Decalta Ranger Peejay d-51-D-94-A-16 which was completed early this year. Ranger's interest, 35%.

CANADIAN OFFSHORE

Ranger owns Permits in two areas offshore the eastern Canadian Seaboard totalling 444,746 acres net to the company.

Sable Island

Ranger owns 100% of three permits as shown on the map near Sable Island. Mobil Oil recently announced a multi-million dollar deep test on Sable Island using the Peter Bawden rig moved from Spitzbergen. Total acreage 277,448.

Anticosti Island

Ranger owns two Permits just east of Anticosti Island totalling 167,298 acres net to the Company.

Canadian Westcoast Offshore

Ranger owns 100% of a 42,238 acre Permit 28 miles west of Shell Anglo Prometheus d-43-6-92-C-12.

Shell will drill this offshore well with Sedco 135-F, first Canadian built offshore drilling platform.

Gas Properties

Ranger owns gas properties in five Alberta areas: Steveville, Viking Kinsella, Hanna, Craig Lake, and Namao. All of these properties are now connected to market outlets.

STEVEVILLE - CESSFORD GAS COMPOSITE

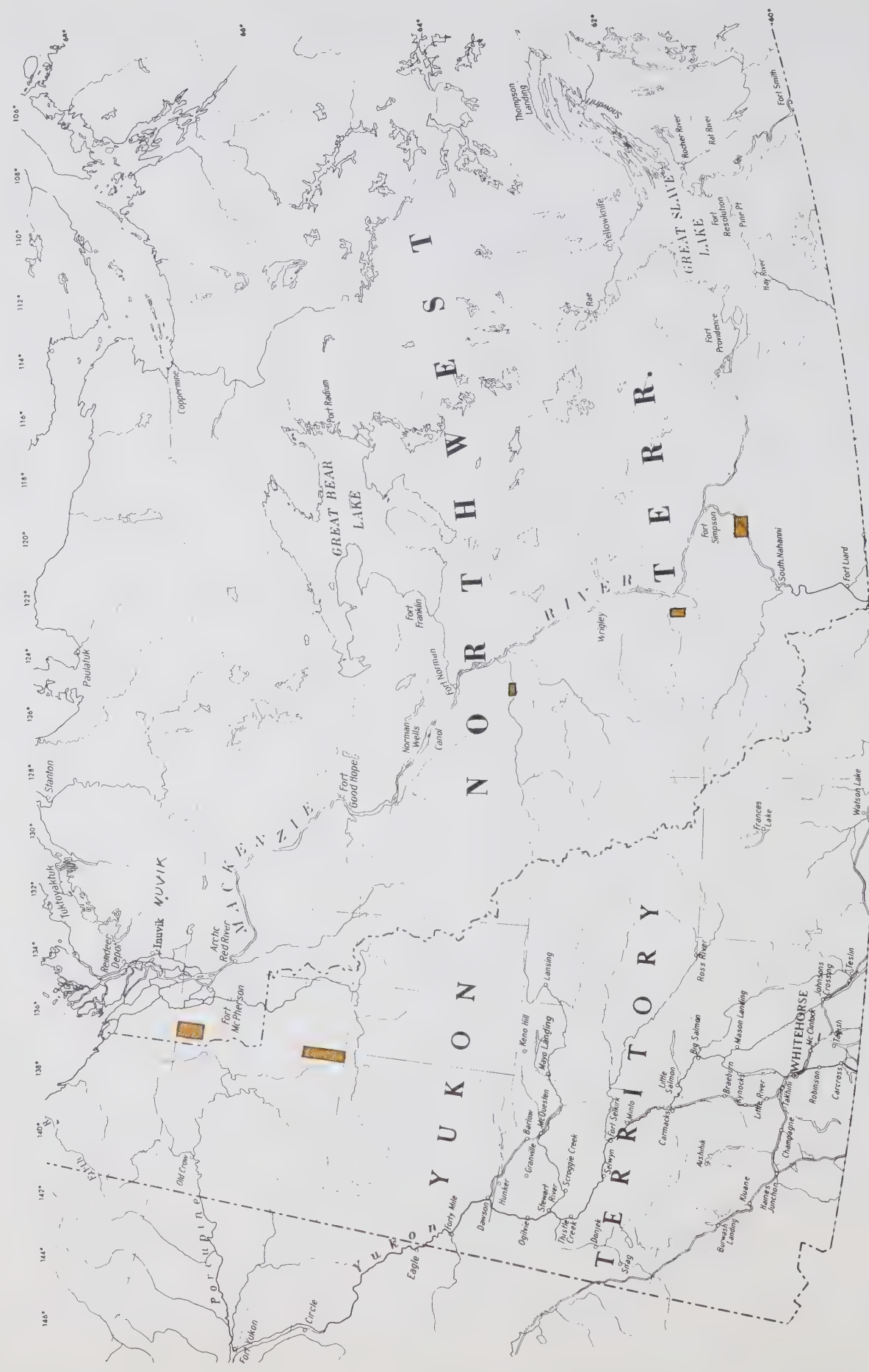
In September 1958, the Steveville gas field was placed on stream to Trans-Canada Pipe Lines Limited. Ranger and associates own 60,306 acres in the Steveville-Cessford area. This property is approximately 25% of the Steveville-Cessford composite, in which one trillion cubic feet of reserves are developed.

Ranger recently increased its interest in a large portion of the undeveloped lands at Steveville from 14.2973% to 40.85%.

At the May 18, 1966 Alberta Crown Sale, Ranger purchased an 11,896 acre permit directly offsetting our present Cessford holdings.

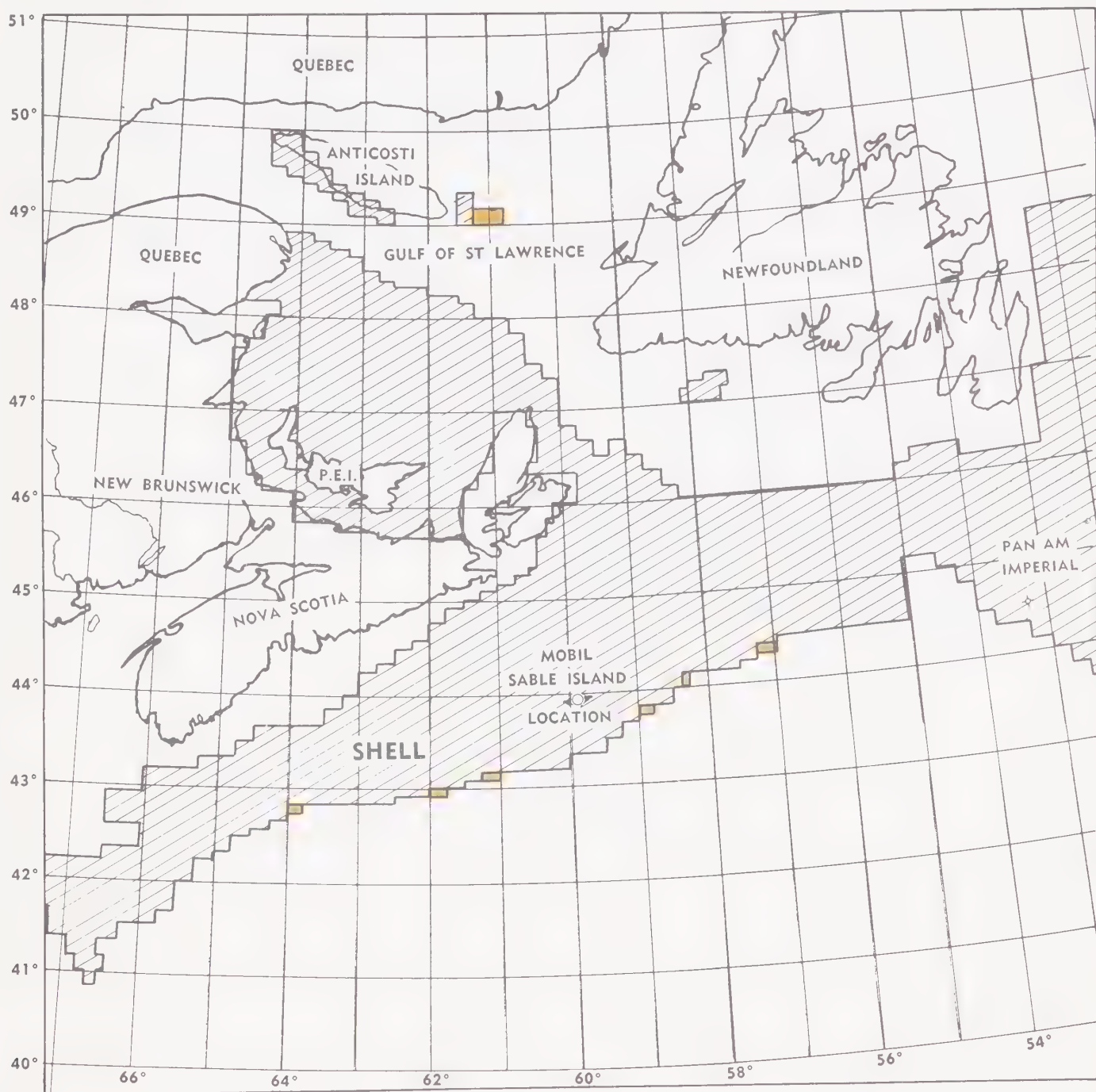
VIKING KINSELLA

Ranger's second major gas holding is its 50% interest in the Viking Kinsella deep gas unit, operated by Ranger. This unit markets gas to Northwestern Utilities Limited, Edmonton.

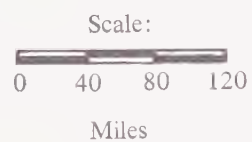


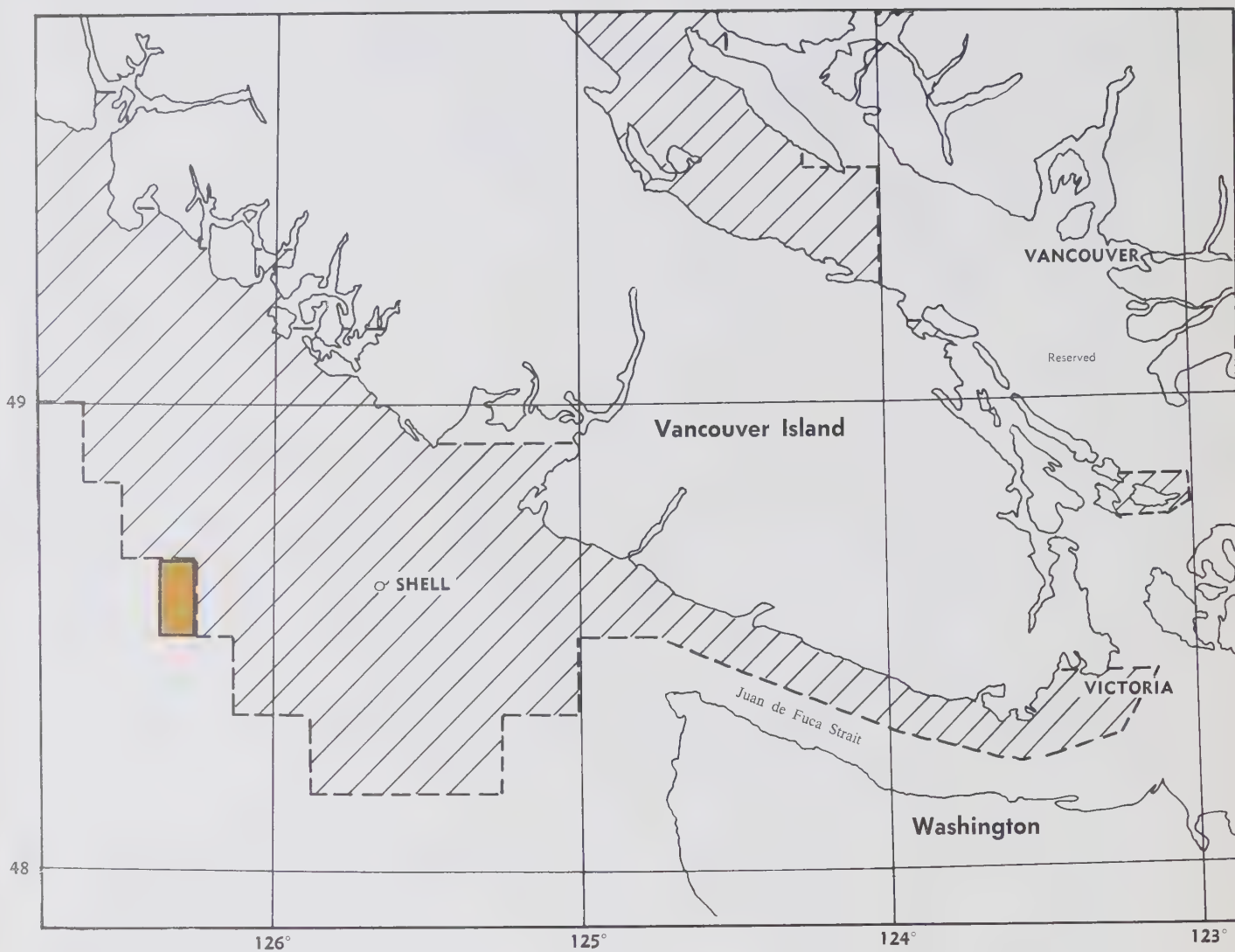
NORTHWEST TERRITORIES & YUKON TERRITORIES



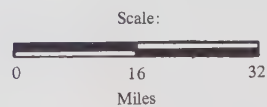
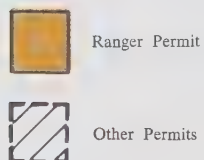


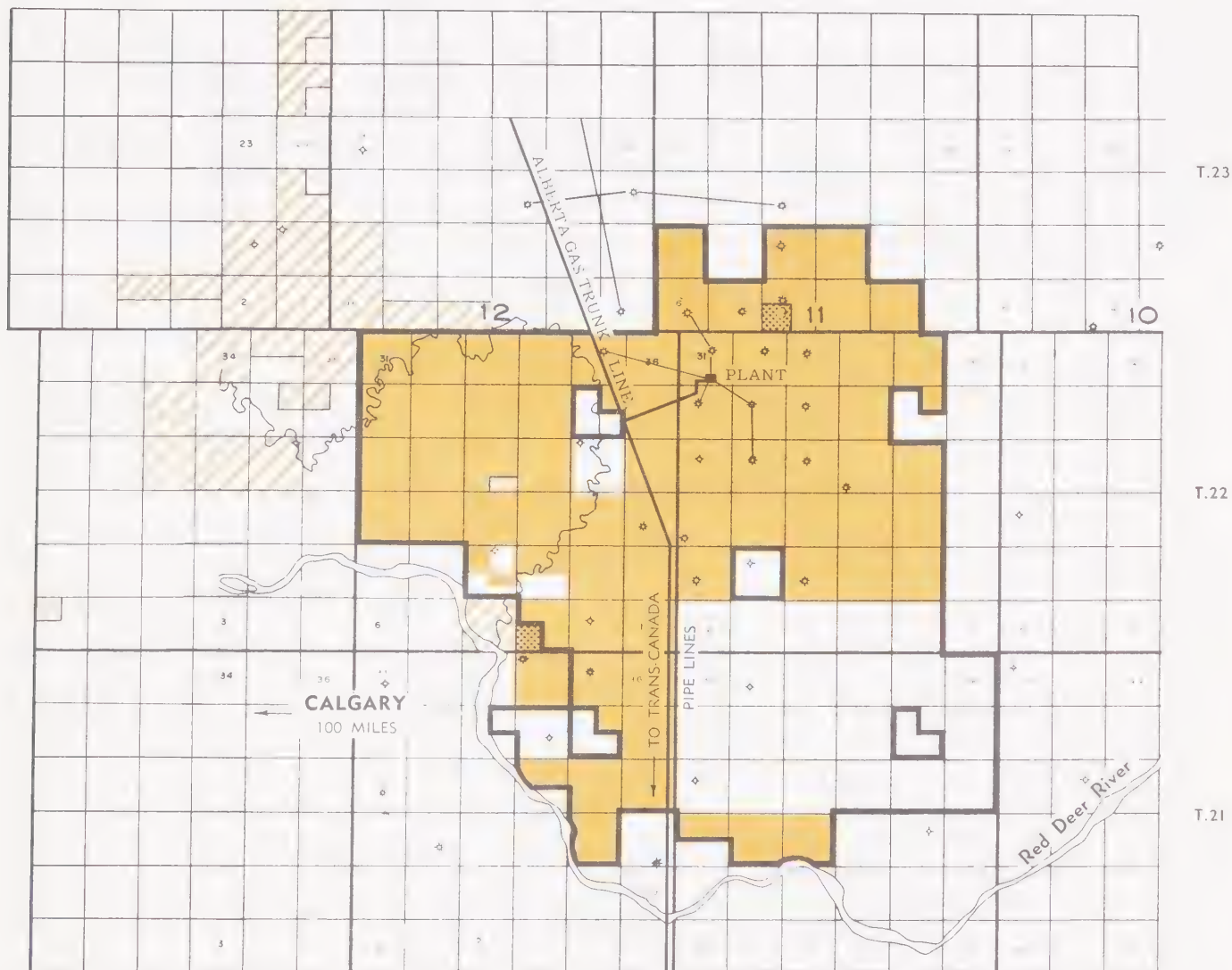
ATLANTIC OFFSHORE PERMITS





WEST COAST OFFSHORE PERMITS





REFERENCE

- GAS WELL
- ABANDONED
- GAS LEASE
- P. & N.G. LEASE
- RANGER PERMIT 100%

STEVEVILLE AREA ALBERTA



RANGER OIL COMPANY

Ranger Oil Company of Lusk, Wyoming, is a wholly-owned subsidiary of Ranger Oil (Canada) Limited.

Officers and Directors

J. M. PIERCE, B.Sc., P.ENG. — *President and Director*

R. CHAMBERLAIN — *Secretary and Director*

E. O. PARRY — *Treasurer and Director*

W. B. MILNER — *Director*

P. C. BADGLEY, Ph.D., P.ENG. — *Director*

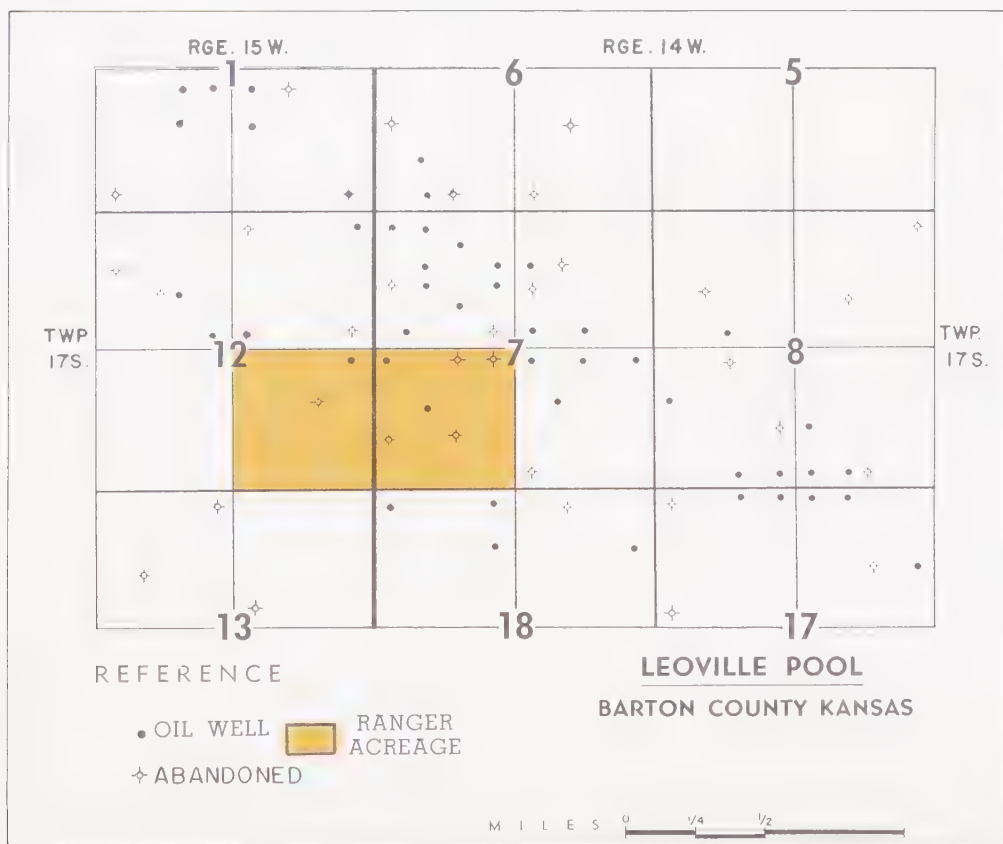
D. G. FLANAGAN — *Assistant Secretary*

Ranger Oil Company has production in Wyoming, Kansas and North Dakota.

The company has land holdings in these states and Colorado, Louisiana, Mississippi, Montana, New Mexico, South Dakota and Utah.

LARGE WILDCAT POTENTIAL

Ranger has very extensive holdings on two large structures in Wyoming that have very substantial wildcat potential.



RANGER OIL (CANADA) LIMITED

and subsidiary companies

CONSOLIDATED BALANCE SHEET

ASSETS

	1966	1965
CURRENT ASSETS		
Cash	\$ 224,228	\$ 63,977
Marketable securities, at cost (Quoted market value 1966 — \$40,055; 1965 — \$20,081)	35,238	29,054
Accounts receivable	142,967	172,154
	<u>402,433</u>	<u>265,185</u>
OTHER INVESTMENTS AND ADVANCES, at cost	<u>16,888</u>	<u>15,341</u>
PROPERTY, PLANT AND EQUIPMENT		
Petroleum and natural gas leases, reservations and rights, including development and equipment thereon		
Producing, at cost	5,151,193	4,401,938
Accumulated depletion and depreciation	1,401,708	1,290,037
	<u>3,749,485</u>	<u>3,111,901</u>
Non-producing, at cost less amounts written off	966,187	1,037,704
Other equipment, at cost less accumulated depreciation	26,120	28,911
	<u>4,741,792</u>	<u>4,178,516</u>
OTHER ASSETS		
Loan to officer for purchase of residence	44,400	45,600
Miscellaneous	34,350	32,315
	<u>78,750</u>	<u>77,915</u>
	<u>\$5,239,863</u>	<u>\$4,536,957</u>

The accompanying notes are an integral part of these financial statements.

ET AS AT DECEMBER 31, 1966

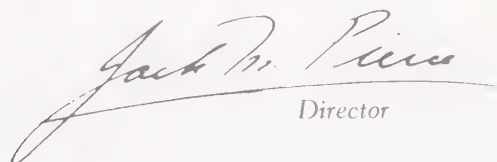
LIABILITIES

	<u>1966</u>	<u>1965</u>
CURRENT LIABILITIES		
Accounts, payable and accrued	\$ 139,683	\$ 263,470
Current maturity of bank loan	360,000	370,000
Loan from shareholder	—	100,000
	<u>499,683</u>	<u>733,470</u>
 BANK LOAN — Payable out of production		
and evidenced by demand notes	1,649,240	1,780,000
Current maturity	360,000	370,000
	<u>1,289,240</u>	<u>1,410,000</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 4)		
Authorized		
3,000,000 shares of no par value		
Issued		
1,979,704 (1965 — 1,607,399) shares	3,750,547	3,015,937
DEFICIT	299,607	622,450
	<u>3,450,940</u>	<u>2,393,487</u>

Approved on behalf of the Board:


Director


Director

<u>\$5,239,863</u>	<u>\$4,536,957</u>
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RANGER OIL (CANADA) LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1966

	<u>1966</u>	<u>1965</u>
REVENUE		
Oil and gas	\$ 665,388	\$ 696,454
Investments	21,402	26,751
Other	46,649	25,221
Gain on sale of non-producing properties	269,664	13,240
	<u>1,003,103</u>	<u>761,666</u>
EXPENSES		
Well operating	172,625	144,561
Carrying costs of non-producing properties	43,951	15,204
Exploration and unproductive development	3,585	24,908
Properties surrendered	69,107	8,745
General and administrative	133,608	125,358
Depletion of producing properties	75,257	75,341
Depreciation of equipment	62,146	72,281
Interest	108,090	72,439
	<u>668,369</u>	<u>538,837</u>
NET EARNINGS	<u>\$ 334,734</u>	<u>\$ 222,829</u>

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1966

	<u>1966</u>	<u>1965</u>
DEFICIT AT BEGINNING OF YEAR	\$ 622,450	\$ 845,279
Net earnings for the year	334,734	222,829
	<u>287,716</u>	<u>622,450</u>
Share issue expense (Note 4)	11,891	—
DEFICIT AT END OF YEAR	<u>\$ 299,607</u>	<u>\$ 622,450</u>

The accompanying notes are an integral part of these financial statements.

RANGER OIL (CANADA) LIMITED
and subsidiary companies
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1966

Note 1 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the company include the accounts of all subsidiary companies, each of which is wholly-owned.

The accounts of foreign subsidiaries are converted to Canadian dollars on the following basis:

(a) Current assets and current liabilities

At the rate of exchange in effect as at the balance sheet date.

(b) Fixed assets

At the average rate of exchange, for the years in which the respective underlying assets were acquired.

(c) Income and expense

At the average rate of exchange for the year.

Note 2 ACCOUNTING POLICIES

It is the company's policy to charge all exploration expenses and carrying charges of non-producing properties to income as incurred. Lease acquisition costs are capitalized and are charged to income when the property is determined to be unproductive. The cost of drilling a productive well is capitalized and the cost of an unproductive well is charged to income when the well is determined to be dry. The costs of producing leases and producing wells are depleted using the unit of production method based upon estimated recoverable quantities of gas and oil as determined by the company.

Note 3 INCOME TAX

Depreciation, drilling and exploration expenditures claimed in 1966 for tax purposes exceeded the corresponding amounts provided in the company's accounts, and as a result no income tax was payable.

Note 4 CAPITAL STOCK

During the year the company issued 372,305 shares for cash, as shown below:

	<i>Number of Shares</i>	<i>Consideration</i>
Shares issued under an offer to existing shareholders to subscribe for one share for each four held by them, at \$2 per share	362,305	\$724,610
Shares issued to the President of the company on exercise of an option previously granted to him, at \$1 per share	10,000	10,000
	<u>372,305</u>	<u>\$734,610</u>

Share issue expense of \$11,891 has been charged to deficit.

As at December 31, 1966, there was outstanding under an option previously granted to the President, the right to purchase a further 20,000 shares of the company's capital stock at \$1 per share. This option is exercisable in annual amounts of 10,000 shares commencing November 1, 1967 for a period of two years.

On March 17, 1967, the company granted an option to an employee for the right to purchase 25,000 shares of the company's capital stock at \$2.50 per share. This option is exercisable in annual amounts of 5,000 shares commencing March 1, 1968, and expires on March 1, 1973.

In the event the above options are not exercised in any one year they may be exercised in the succeeding years. The option prices per share were greater than the market prices on the granting dates.

Note 5 REMUNERATION OF DIRECTORS AND OFFICERS

Included in general and administrative expenses in the consolidated statement of earnings is remuneration of directors and officers of \$23,900.

AUDITORS' REPORT

To the Shareholders
Ranger Oil (Canada) Limited

We have examined the accompanying consolidated financial statements of Ranger Oil (Canada) Limited and subsidiaries for the year ended December 31, 1966 comprising the consolidated balance sheet as at that date and the consolidated statements of earnings, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned statements present fairly the financial position of the companies as at December 31, 1966 and the results of their operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta.
March 23, 1967.

RIDDELL, STEAD, GRAHAM & HUTCHISON
Chartered Accountants

RANGER OIL (CANADA) LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1966

	<u>1966</u>	<u>1965</u>
SOURCE OF FUNDS		
Funds provided by operations		
Net earnings	\$ 334,734	\$ 222,829
Charges (credits) not involving funds		
Properties surrendered	69,107	8,745
Depletion of producing properties	75,257	75,341
Depreciation of equipment	62,146	72,281
Gain on sale of non-producing properties	(269,664)	(13,240)
Other	11,357	(7,219)
	<u>282,937</u>	<u>358,737</u>
Proceeds on sale of non-producing properties	329,813	31,400
Capital stock issued less share issue expense (Note 4)	722,719	20,000
Bank loan proceeds (net)	—	1,055,000
Other	22,838	48,040
	<u>1,358,307</u>	<u>1,513,177</u>
APPLICATION OF FUNDS		
Property, plant and equipment	866,512	2,086,621
Reduction of bank loan (net)	120,760	—
Loan to officer for purchase of residence (net)	—	45,600
	<u>987,272</u>	<u>2,132,221</u>
INCREASE (DECREASE) IN WORKING CAPITAL	371,035	(619,044)
Working capital (deficiency) at beginning of year	(468,285)	150,759
	<u> </u>	<u> </u>
WORKING CAPITAL DEFICIENCY AT END OF YEAR	\$ 97,250	\$ 468,285

The accompanying notes are an integral part of this financial statement.

